

# City of Castle Pines North and Castle Pines North Metro District

Management, Operations and  
Maintenance Services Consolidation

Castle Pines North Metro District  
Board Meeting - *July 21, 2008*



# Agenda

- Introductions
- Purpose of Meeting
- Review Historical Information – Pre-Incorporation Vote
- Review City and Metro District Finances
- Community Priorities
- Future Scenarios
- Path Forward
- Discussion

# Purpose of Meeting

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- To foster a collaborative working relationship between the City of Castle Pines North and Castle Pines North Metro District for the benefit of the entire community
- Both entities have a mandate and a responsibility to serve the community
- Citizens voted strongly in favor of the City's incorporation and also to see the City become involved in the management of the community's utility services

# Historical Information – Pre-Incorporation Vote

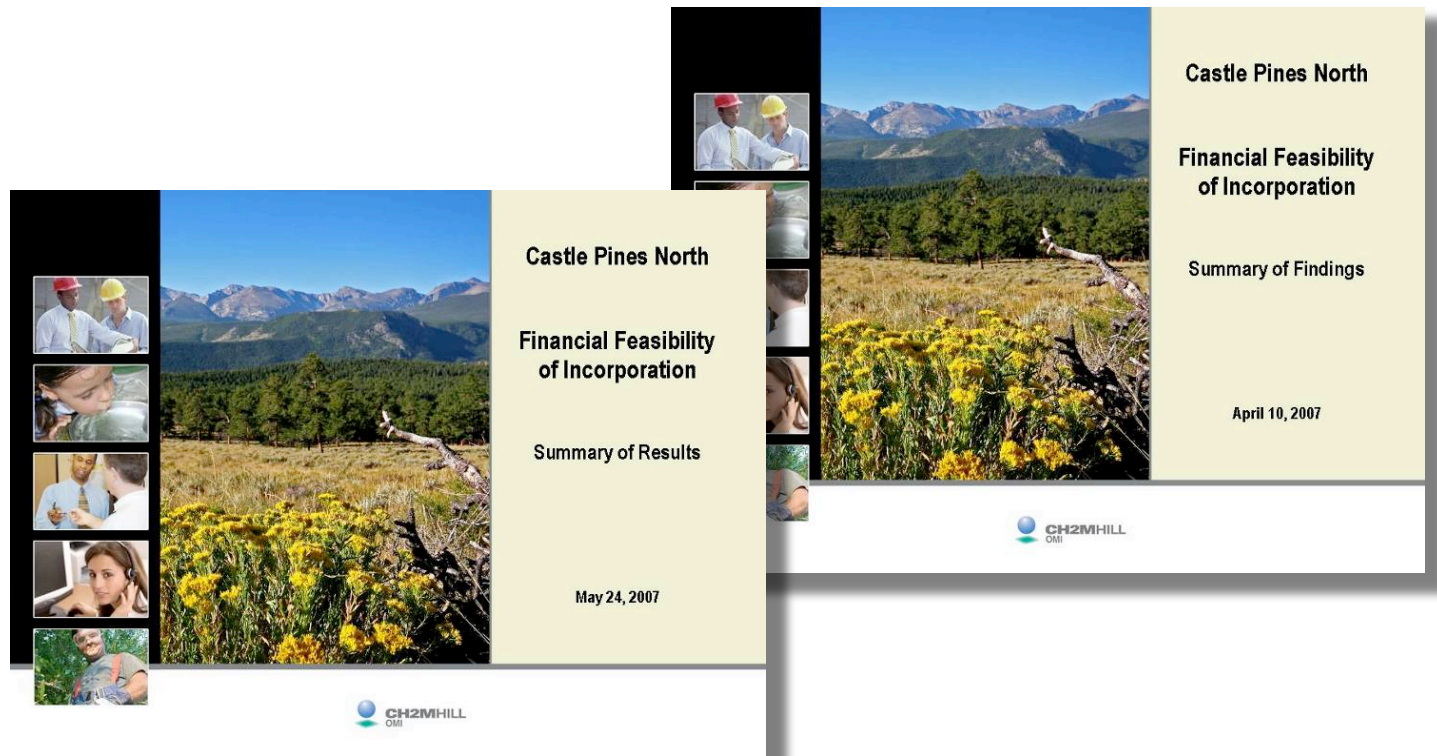
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- CH2M HILL financial feasibility study concluded that Cityhood was financially viable without substantial tax increases if the City could consolidate certain management functions and services provided by:
  - Home Owner Associations (e.g. – solid waste collection and streets/public areas maintenance)
  - CPN Metro District (e.g. – public works and utilities)
  - Douglas County (e.g. – public works/roads & ROWs)
- One entity can manage services better and more economically than three

# Historical Information *(continued)*

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- Community economics and possible scenarios reviewed in several public meetings



# Castle Pines North – Public Consultation Meetings

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- December 5, 2006 - community meeting day petition was filed
- January 17, 2007 - community meeting on incorporation status
- February 19, 2007 - community meeting on incorporation status & introduce CH2M HILL
- March 21, 2007 - community meeting on incorporation status
- April 10, 2007 - CH2M HILL report findings presented to community
- May 24, 2007 - CH2M HILL report findings presented to community
- June 11, 2007 - meeting on revenue sharing agreement with Castle Pines Village
- June 13 - meeting with CH2M HILL and HOA's to discuss services consolidation
- September 20 - meeting with HOA 2 on incorporation
- September 22 - meeting with HOA 2 on incorporation
- September 24 - CH2M HILL feasibility study presentation
- September 25 - CH2M HILL feasibility study presentation
- September 26 - CH2M HILL feasibility study presentation
- October 17 - meeting with HOA on incorporation
- October 21 - meeting with Bristle Cone on incorporation
- October 22 - CH2M HILL meeting on incorporation at community center
- October 24 - meeting with Bristle Cone on incorporation
- October 26 - meeting with Hidden Pointe on incorporation
- November 2 - Pro/Con Debate on incorporation

# April 10, 2007 – Public Meeting

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- Sources of potential City revenues reviewed

**Knowledge and timely access to revenue is critical to any city's financial viability**



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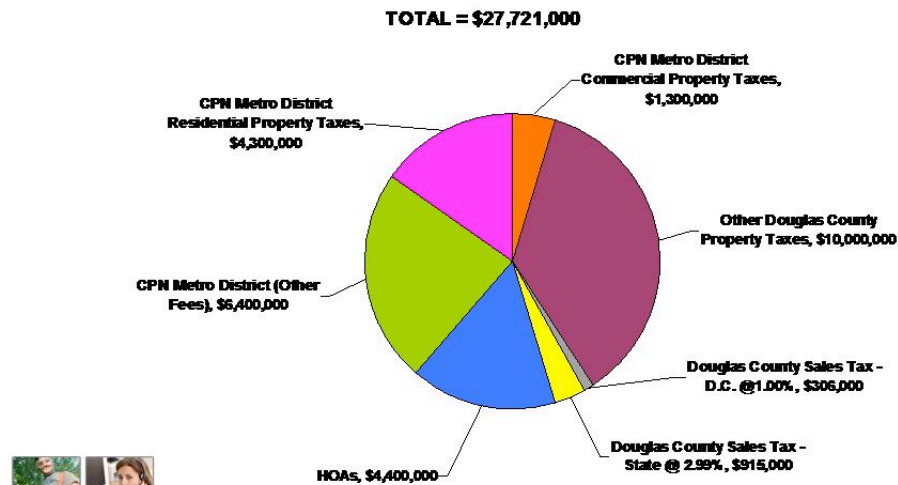
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# April 10, 2007 – Public Meeting *(continued)*

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- Sources of potential City revenues reviewed

## Financial picture and analysis of Castle Pines North



CH2MHILL  
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# April 10, 2007 – Public Meeting *(continued)*

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- Consolidation of HOA and Metro District Services were recognized and recommended prior to incorporation vote

## Summary of preliminary findings

4. There are efficiencies and cost savings to be gained by consolidating most HOA services and delivering them through the new city

Estimated savings of consolidation of services currently delivered by HOAs is 25–50%



CH2MHILL  
COM

## Summary of preliminary findings

5. If residents vote for incorporation, the Castle Pines North Metro District should be integrated into the new city to increase efficiency and reduce cost



CH2MHILL  
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# May 24, 2007 - Public Meeting

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## Summary of key findings

1

***Incorporation is financially feasible and the cost of home ownership will stay the same***

This assumes delivery of the existing level of service provided today. If the community through its elected officials choose a different level of service, costs may increase or decrease.



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# May 24, 2007 - Public Meeting

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## Summary of key findings

2

***There are significant opportunities to improve efficiency and services delivered by the 30 HOAs in CPN***

We believe up to 60 percent of expenditures by HOAs are for some services that can be more efficiently provided through a newly-incorporated city and an optimum delivery service model. At the same time, HOAs will be able to retain their autonomy and divest themselves of certain problems more aptly dealt with by the City.



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# May 24, 2007 - Public Meeting

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## Summary of key findings

3

### *Integration of CPN Metro District into the new City would increase efficiency and reduce cost*

The new City should consider integration of services with CPN Metro District. By combining and optimizing resources all services could be delivered for less cost. Under this approach residents will retain control over funding, service levels and renewable water supply issues.



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# May 24, 2007 - Public Meeting

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## Summary of key findings

4

*The current model of service provision could become more efficient, cost effective and environmentally responsible to make CPN an even better community*

These changes should be led by the community through the elected representatives of the City government because key decisions for the community's future go far beyond CPN Metro District's intended mandate



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# May 24, 2007 - Public Meeting

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## Summary of key findings

5

***Incorporation is one way that puts CPN in control of its future***

Incorporation goes beyond the capture of sales revenue from commercial/retail centers. It will also give the community more control over critical decisions to be made as this community has matured and outgrown its current management and operations format



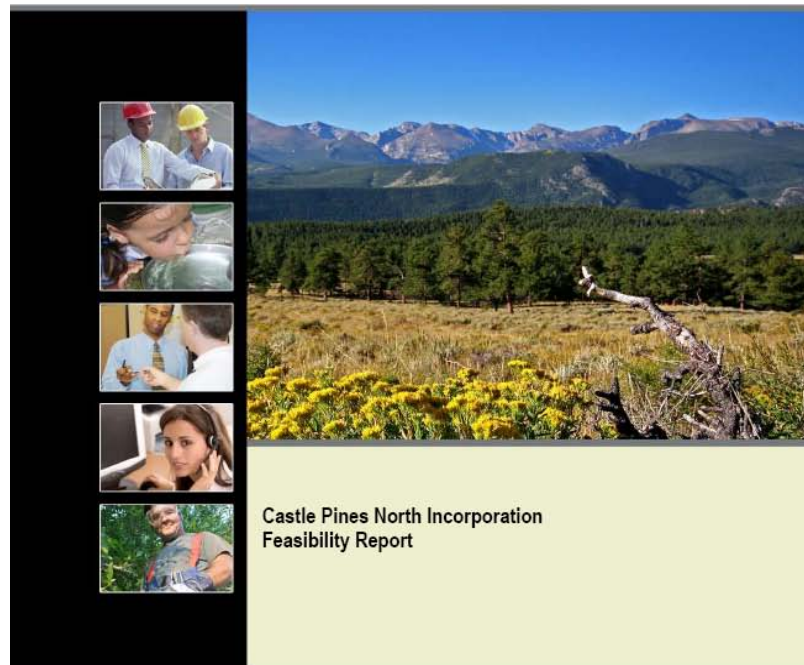
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# October 2007 – Public Report

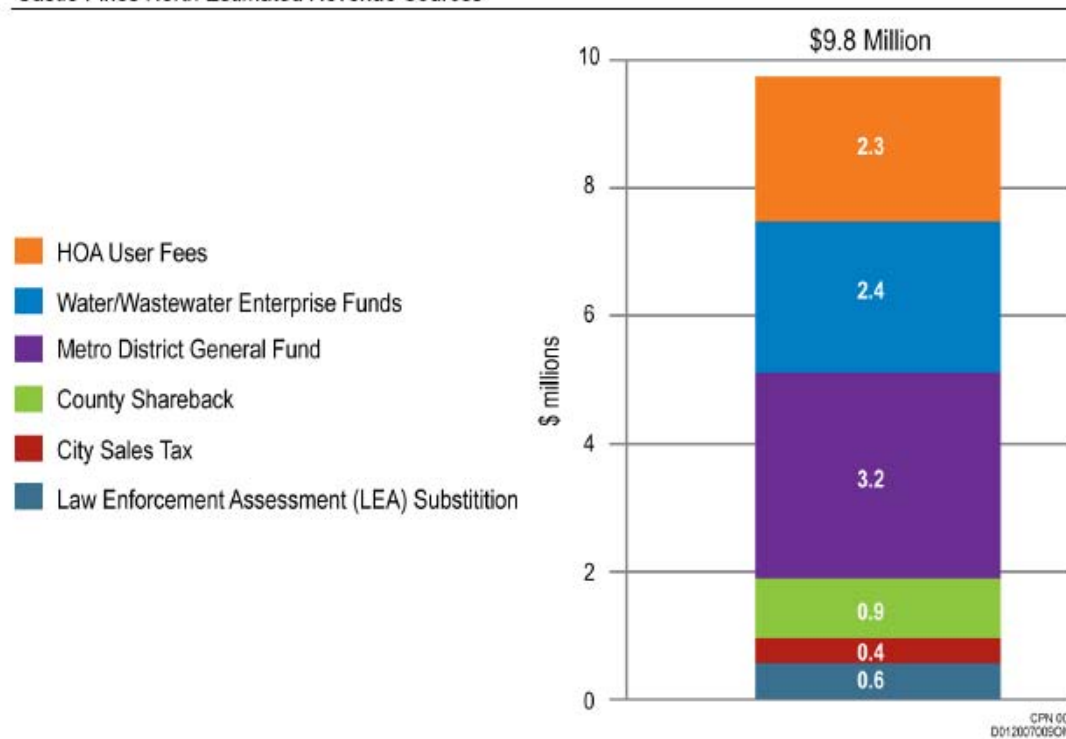
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# Castle Pines North Estimated Revenue Sources

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**Exhibit 2**  
Castle Pines North Estimated Revenue Sources



Source: October 2007 Report

# CPN – Revenue Assumptions (to October 2007)

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## Revenue assumptions include:

- Estimated population of CPN = 10,000
- Sales tax base = \$30,592,700
- Sales tax percentage for CPN = 80 percent. ....
- Douglas County road sales and use tax rate = 0.4 percent
- Percent of Douglas County sales tax to CPN = 50 percent
- Assessed property value = \$133,582,870
- **Current Metro District property tax rate (millage) = 43 (see bullet below)**
- **19 mils from Metro District to City of CPN (this is part of the 43 above)**
- \$2.7 million revenue conversion of user fees from HOAs to property tax (approximately 60 percent of HOA total revenue)
- 4.5 mils – from Douglas County for police
- Highway users tax (HUTF = estimated at \$30,000)
- Douglas County road and bridge shareback – based on county tax rate (millage) of 4.493 with 50% share back to Municipality

Source: October 2007 Report

# CPN Metro District 2007 Budget

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## Castle Pines North Metro District 2007 Budget

REVENUES		EXPENSES	
<b>General Fund</b>		<b>General Fund</b>	
General Fund	\$3,246,000	O&M Administrative	\$564,000
	N/A	Parks and Recreation	\$795,000
	N/A	TABOR Reserve	\$41,000
	N/A	Transfer to Enterprise Fund	\$500,000
	N/A	Capital Expenditure	<u>\$3,861,000</u>
Subtotal	\$3,246,000	Subtotal	\$5,761,000
<b>Conservation Trust Fund</b>	\$40,000	<b>Conservation Trust Fund</b>	\$117,000
<b>Debt Service Fund</b>	\$3,348,000	<b>Debt Service Fund</b>	\$3,307,000
<b>Required Reserve</b>	N/A	<b>Required Reserve</b>	N/A
<b>Water Fund</b>		<b>Water Fund</b>	
General Reveune	\$3,818,000	O&M	\$1,414,000
Transfer From GF	<u>\$250,000</u>	Capital	<u>\$2,535,000</u>
Subtotal	\$4,068,000	Subtotal	\$3,949,000
<b>Sewer Fund</b>		<b>Sewer Fund</b>	
General Revenue	\$1,361,000	O&M	\$1,021,000
Transfer From GF	<u>\$250,000</u>	Capital	<u>\$218,000</u>
Subtotal	\$1,611,000	Subtotal	\$1,239,000
<b>Storm Drainage Fund</b>		<b>Storm Drainage Fund</b>	
General Revenue	\$248,000	O&M	\$183,000
	N/A	Capital	<u>\$7,000</u>
Subtotal	\$248,000	Subtotal	\$190,000
<b>GRAND TOTAL</b>	<b>\$12,561,000</b>	<b>GRAND TOTAL</b>	<b>\$14,563,000</b>

Source: October 2007 Report

# CPN Metro District Capital Revenues

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Revenue Source	Capital Revenue Projections
"A" 24 mills dedicated to retirement of existing capital debt – specific obligation	\$3,437,000
"B" Tap fees for new water / wastewater service connections	\$929,000
"C" Special monthly capital improvement fee & infrastructure fee	\$925,000
Total recurring capital revenues without specific obligation ("B" + "C") including investment income (\$192k)	\$2,046,000

# CPN Metro District O&M Revenues & Expenses

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Item	Expenses
O&M Revenues	\$3,700,000
O&M Expenses (no capital)	\$2,312,000
	Surplus \$1,388,000

Source: Metro District FY-2007 Audited Financial Statement

# CPN Metro District Fund Balances

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Item	Amount
Total recurring capital revenues without specific obligation	\$2,046,000
O&M Net Revenues	\$1,388,000
Undesignated Fund Balance	\$7,869,000
Debt Service Fund Balance	\$372,000
Total	\$11,675,000

Source: Metro District FY-2007 Audited Financial Statement

## Recommendation #2 to CPN

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- Operations related to Metro District -

*“CPN should request that CPN Metro District refrain from making any major capital expenditure decisions until after the community makes a decision on incorporation and an elected body is in place. CPN Metro District is in the process of planning a large, long-term capital program that will impact CPN for many years to come. As a result, it is most prudent for the elected officials to participate in this planning and decision-making process.”*

Source: October 2007 Report

## Recommendation #3 to CPN

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- Operations related to Metro District -

*“CPN should seriously consider assuming responsibility for management and operation of services currently provided by CPN Metro District. With a population of approximately 10,000 and a relatively small commercial and business sector, the community should look for every opportunity to optimize its operations and minimize costs. A municipal government operations and service delivery organization requires establishing many of the same resources and personnel skills CPN Metro District currently has in place. By combining the two operations, the citizens of CPN will benefit financially and with streamlined service delivery. Furthermore, integrating CPN Metro District with the City would also give the City more options in securing renewable water, a key issue facing the City in the future.”*

Source: October 2007 Report

# City/Metro District Integration Scenario 1

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## 17 mills to City; 2 mills to Metro District

- City assumes all current management, administrative and O&M responsibilities and staff of the Metro District, except for the General Manager
- Metro District remains responsible for and focused on renewable water, major capacity expansion of facilities and debt service administration
- Metro District revenues would include:

Capital improvement fees, tap fees, investment income	\$1,685,000
2 mills of property tax	\$275,000
Estimated cash balances as of 12/31/08	\$10,000,000
24 mills of property tax for debt service	\$3,500,000
Total	\$15,460,000

# City/Metro District Integration Scenario 2

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## 12 mills to City; 7 mills to Metro District

- City assumes all current management, administrative and O&M responsibilities and staff of the Metro District, except for the General Manager
- Metro District remains responsible for and focused on renewable water, major capacity expansion of facilities and debt service administration
- Metro District revenues would include:

Capital improvement fees, tap fees, investment income	\$1,600,000
7 mills of property tax	\$1,000,000
Estimated cash balances as of 12/31/08	\$10,000,000
24 mills of property tax for debt service	\$3,500,000
Total	\$16,100,000

## Net Change in 12 Mill Transfer – Scenario 2

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■ Revenue to City - 12 mills	\$1,600,000
■ Expense Transferred to City	\$1,500,000
• Components	
- Administrative Costs	\$580,000
- Parks and Recreation Operations	\$845,000
- Plus Parks Capital Imp. & R&R	\$TBD

# City/Metro District Integration Scenarios

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## Summary of Scenarios 1 and 2

- Scenario 1 – City becomes custodian of approximately \$1,000,000 of excess revenues for capital purposes
- Scenario 2 – Metro District becomes custodian of approximately \$1,000,000 of excess revenues for capital purposes
- If the City has the excess revenues it can use the funds for any capital improvement it deems suitable – including renewable water
- If the Metro District has the excess revenues it can use the funds for water/sewer capital improvement it deems suitable – including renewable water

# Scenario 1 – Proforma Budgets

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- Summary of detailed proforma budgets provided in handout

	City of CPN General Fund	City of CPN Utility Enterprise Fund	CPNMD
Beginning Fund Balance	\$0	\$0	\$10,000,000
Revenues	\$6,838,000	\$3,628,000	\$1,958,000
Capital Investment (Including Renewable Water)	\$1,500,000	\$700,000	\$1,750,000
Operating Expenses	5,297,000	2,928,000	\$206,000
Net Fund Balance	\$41,000	\$0	\$10,002,000

# Scenario 2 – Proforma Budgets

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- Summary of detailed proforma budgets provided in handout

	City of CPN General Fund	City of CPN Utility Enterprise Fund	CPNMD
Beginning Fund Balance	\$0	\$0	\$10,000,000
Revenues	\$5,648,000	\$3,713,000	\$2,599,000
Capital Investment (including Renewable Water)	\$387,000	\$785,000	\$2,359,000
Operating Expenses	5,261,000	2,928,000	\$206,000
Net Fund Balance	\$0	\$0	\$10,034,000

## Castle Pines North Financial Profile

# Area property tax comparison

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- Castle Pines North 111.4-128.4 mills
- Castle Pines Village 108-119.2 mills
- Lone Tree 94.2 mills
- Castle Rock 72.4-73.7 mills
- Highlands Ranch 75.4-104.5 mills

## In conclusion....

- Questions / Discussion of the issues
- Choosing a path forward

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